

Message Text

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SUBJECT: OECD TRADE COMMITTEE WORKING PARTY (TCWP)
MEETING ON INTERNAL POLICIES AND THEIR IMPACT ON TRADE,
MARCH 14-15.

REF: TFD/TD/759

1. SUMMARY: TCWP MADE SURPRISINGLY GOOD PROGRESS
MARCH 14-15 TOWARD BROAD UNDERSTANDING ON THEORETICAL/
CONCEPTUAL FRAMEWORK FOR EXAMINING INTERNAL POLICIES
AND THEIR IMPACT ON INTERNATIONAL TRADE. GROUP
DECIDED THAT MORE EMPIRICAL APPROACH WAS NOW CALLED FOR
AND DIRECTED SECRETARIAT TO PREPARE NEW PAPER CONTAIN-
ING NUMBER OF HYPOTHETICAL EXAMPLES ("UNCONSTRUCTED
CASES") OF INTERNAL POLICIES AND MEASURES FOR EXAMINA-
TION AT NEXT MEETING IN CONTEXT OF AGREED CONCEPTUAL

FRAMEWORK CONTAINED REFDOK. ACTION REQUESTED:
WASHINGTON INPUTS TO ASSIST SECRETARIAT TO KEEP EXERCISE
MOVING IN DIRECTION DESIRED BY US. SEE ALSO PARA 8,
BELOW. END SUMMARY

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2. IN CONTRAST TO LARGE MEASURE OF CAUTION AND RELUCTANCE, IF NOT STALLING, THAT HAS CHARACTERIZED PREVIOUS DISCUSSIONS THIS COMPLEX SUBJECT, TCWP MARCH 14-15 ACHIEVED SURPRISING DEGREE OF AGREEMENT ON THEORETICAL NOTIONS, IDEAS, AND CONCEPTS THAT WOULD BE USEFUL IN EXAMINING HOW AND TO WHAT EXTENT INTERNAL POLICIES AFFECT INTERNATIONAL TRADE. THIS WAS DUE LARGELY TO EXCELLENT SECRETARIAT PAPER, REFD0C, WHICH WAS HIGHLY COMMENDED BY ALL DELS FOR ITS THEORETICAL VALIDITY, PERSUASIVENESS AND UTILITY. US DEL (FEKETEKUTY) MADE A SERIES OF HELPFUL INTERVENTIONS, EMPHASIZING THE NEED TO AVOID DOGMA OR COMMANDMENTS BUT RATHER TO ILLUMINATE PROBLEMS, UTILIZING THEORETICAL AND PRAGMATIC APPROACHES DRAWN FROM MEMBER COUNTRY EXPERIENCES. HE URGED TCWP TO ESTABLISH A COMMON FRAMEWORK OF CONCEPTS AND UNDERSTANDING FOR THE EXAMINATION OF INTERNAL POLICIES. IT THEN WOULD BE USEFUL TO PROCEED TO FACTUAL EXPOSITION OF THESE POLICIES AND ANALYZE THEM IN THE CONTEXT OF THE AGREED CONCEPTS. ONE COULD THEN PINPOINT POLICIES THAT DO NOT CAUSE DIFFICULTIES FOR TRADE OF OTHER COUNTRIES AS WELL AS THOSE THAT DO. AT SAME TIME THE EMPIRICAL EXAMINATION WOULD SHED LIGHT ON THE UTILITY AND VALUE OF THE THEORETICAL CONCEPTS WHICH COULD BE FURTHER REFINED. IN THIS WAY ONE WOULD CREATE FRAMEWORK FOR CONTINUING DIALOGUE FROM WHICH EACH COUNTRY WOULD LEARN FROM EXPERIENCE OF OTHERS AND FIND BETTER WAYS OF ACHIEVING SIMILAR OBJECTIVES IN FRAMEWORK OF INTERNATIONAL COOPERATION.

3. OTHER DELS AND SECRETARIAT GENERALLY AGREED WITH FEKETEKUTY'S APPROACH AND SOME (UK, CANADA, FRANCE) ACKNOWLEDGED FOR FIRST TIME THAT EXERCISE WOULD MOST LIKELY LEAD TO A SYSTEM OF CONSULTATIONS IN A FRAMEWORK OF SHARED CONCEPTS AND POSSIBLY GUIDING PRINCIPLES. FRENCH DEL (GUYOT) REITERATED HER VIEW THAT GUIDELINES OR PRINCIPLES WOULD BE EXTREMELY DIFFICULT TO FORMULATE AND THAT PERHAPS MOST ONE COULD AIM FOR WAS COMMON SET OF IDEAS FOR DISCUSSING INTERNAL POLICIES AND THEIR EFFECTS ON TRADE.

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4. PRINCIPAL CONCEPTS GROUP AGREED WERE RELEVANT OR USEFUL IN EXAMINING INTERNAL POLICIES PRACTICED BY MEMBER COUNTRIES INCLUDED (A) EFFECT ON PRODUCTION OF OR DEMAND FOR PRODUCTS ENTERING INTO INTERNATIONAL TRADE; (B) EFFECT ON THE ALLOCATION OF RESOURCES; (C) EFFECT ON ECONOMIES OF THIRD COUNTRIES; (D) POLICY INSTRUMENTS AND MODALITIES OF APPLICATION IN TERMS OF

THEIR EFFECTS ON RESOURCE ALLOCATION AT BOTH DOMESTIC AND INTERNATIONAL LEVEL; (E) NOTION THAT DOMESTIC MEASURES GENERALLY INVOLVE LESS RISK OF DISTORTION THE MORE ROOM THEY LEAVE FOR FREE PLAY OF MARKET MECHANISMS; (F) THE DEGREE OF SPECIFICITY OF THE MEASURE IN TERMS OF WHETHER IT APPLIES TO WHOLE ECONOMY, SPECIFIC SECTOR (S) OR INDIVIDUAL FIRMS; (G) NATURE, DEGREE, INTENSITY AND DURATION OF MEASURE AS FOR EXAMPLE, SUBSIDIES; (H) TRANSPARENCY OF MEASURE, E.G. AS BETWEEN SUBSIDY OR REMISSION OF TAXES; (I) WHETHER MEASURE IS QUANTIFIABLE; (J) DEGREE OF TRANSFER OF COSTS BOTH INTERNALLY AND INTERNATIONALLY.

5. FOREGOING NTIONS OR CONCEPTS ARE EXPLAINED IN MORE DETAIL IN REFOC. TCWP AGREED ALL WERE MORE OR LESS USEFUL IN ASSESSING INTERNAL POLICIES IN TERMS OF THEIR OBJECTIVES AND THEIR POTENTIAL OR REAL IMPACT ON TRADE. IN ADDITION TO THESE, FEKETEKUTY SUGGESTED SEVERAL OTHERS INCLUDING: (A) PREDICTABILITY OF MEASURE; (B) DEGREE TO WHICH MEASURES IMPLY NATIONAL DISCRIMINATION; (C) DEGREE TO WHICH MEASURES ARE CUSTOMARY PART OF KNOWN AND ORDERLY ADMINISTRATIVE PROCEDURES.
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6. CONCEPT WHICH STIMULATED MOST CONTROVERSY WAS THAT OF EFFECT ON RATIONAL ALLOCATION OF RESOURCES. US AND DUTCH DELS ASSERTED THAT THIS WAS THEORETICAL BASIS AND POINT OF DEPARTURE FOR ECONOMIC POLICY FORMULATION FOR MARKET ECONOMIES REPRESENTED IN OECD. AS SUCH, IT WAS ONE OF MOST IMPORTANT CONCEPTS TO BE CONSIDERED IN EXAMINING INTERNAL POLICIES. UK, CANADIAN AND ESPECIALLY FRENCH DELS EMPHASIZED THAT NOTION OF RATIONAL OR OPTIMUM ALLOCATION OF RESOURCES LENT ITSELF TO WIDELY DIVERGENT SUBJECTIVE INTERPRETATIONS. OFTEN, AS A POLICY OBJECTIVE, IT WAS OF SECONDARY IMPORTANCE BY COMPARISON WITH BALANCED GEOGRAPHIC GROWTH, REGIONAL DEVELOPMENT, ETC. POINT WAS THAT IMPORTANCE OF RESOURCE ALLOCATION SHOULD NOT BE EXAGGERATED NOR SHOULD IT BE ALLOWED TO CREATE UNNECESSARY CONTROVERSIES IN CONSULTATION PROCEDURE THAT MIGHT EVENTUALLY BE AGREED. FRENCH DEL FELT THAT CRITERIA FOR INVOKING CONSULTATIONS SHOULD PERHAPS BE LIMITED TO INJURY OR FEAR OF INJURY ARISING FROM INTERNAL POLICY OF ANOTHER MEMBER COUNTRY.

7. IN SU MING UP, CHAIRMAN (A) NOTED THAT TCWP HAD UNCLASSIFIED

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GENERALLY REPRESENTED A COMMON BASIS OF UNDERSTANDING GENERALLY AGREED THAT THEORETICAL CONCEPTS AND IDEAS ELABORATED IN REFDOC REPRESENTED A COMMON BASIS OF UNDERSTANDING FOR PURSUING TCWP'S EXAMINATION OF INTERNAL POLICIES AND THEIR IMPACT ON TRADE. ALTHOUGH DELS DIFFERED ON RELATIVE IMPORTANCE THEY ATTACHED TO INDIVIDUAL CONCEPTS, NONE WAS REJECTED AS BEING IRRELEVANT OR WITHOUT UTILITY TO THE EXERCISE; (B) DIRECTED SECRETARIAT TO PREPARE NEW PAPER CONTAINING ANALYSIS OF A NUMBER OF HYPOTHETICAL CASE STUDIES ("CONSTRUCTED CASES") OF THE APPLICATION OF INTERNAL POLICIES AND POLICY INSTRUMENTS. CASES WOULD BE CONSTRUCTED FROM ACTUAL MEMBER COUNTRY EXPERIENCE. ONLY NAMES OF COUNTRIES OR COMPANIES WOULD BE CHANGED TO AVOID APPEARING TO JUDGE SPECIFIC COUNTRY POLICIES; (C) DIRECTED SECRETARIAT TO DRAW AS APPROPRIATE FROM INFORMATION TO BE SUBMITTED BY DELS IN RESPONSE TO THE INDUSTRY COMMITTEE'S QUESTIONNAIRE DUE/IND/URMIM (NOTE: RESPONSES ARE DUE BY MAY 15); (C) NOTED THAT CHAIRMAN OR SECRETARIAT WOULD MAKE ORAL REPORT ON PROGRESS OF WORK TO NEXT TC MEETING.

8. MISSION COMMENT. WITH A VIEW TO KEEPING THIS EXERCISE MOVING IN DIRECTION DESIRED BY US, MISSION URGES WASHINGTON INPUT TO ASSIST SECRETARIAT IN CON-

STRUCTING HYPOTHETICAL CASES. TCWP CHAIRMAN
(STROMAYER) WOULD PLAN AT THIS STAGE TO DRAW FROM
PARAS 3-7, ABOVE, IN HIS ORAL REPORT TO TC. WOULD
APPRECIATE WASHINGTON COMMENT ON ANY POINTS OVERLOOKED
OR DESERVING SPECIAL EMPHASIS.
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